



Alaska Economic Performance Report



2008



*Sean Parnell, Governor
State of Alaska*

*Emil Notti, Commissioner
Department of Commerce, Community,
and Economic Development*



The 2008 Alaska Economic Performance Report covers a range of economic indicators, industries and government action. In most cases, the fiscal year information is contrasted against information from prior years to identify relevant changes in the economy. When fiscal year 2008 data was not available, calendar year data was used. Simply stated, there are normal and unplanned delays in the availability of the information, and each information source follows its own schedule. The goal here is to provide a comprehensive snapshot of the Alaska economy by industry for 2008.

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Dear Alaskans,

As we close out 50 years of statehood, there is much good to remember. We have built a solid economic foundation for ourselves and the unique state we call home. In accordance with our Constitution, we have responsibly developed our vast natural resources. Naturally, we have faced some challenges over the course of the last 50 years. But even those have made us stronger, more resilient, and better positioned to face whatever challenges might lie ahead.

In 2008, the global economy was shaken. The resulting downturn extended through 2009. However, even in a major global recession that caught the rest of the country up in its wake, Alaska remained on relatively firm ground. The state's nominal gross domestic product totaled \$47.9 billion for 2008, while the economy added more than 4,000 jobs, completing the 21st consecutive year of job growth here.

I took office midway through 2009, in the midst of one of the worst global economies in history. Alaska's unemployment was increasing, resulting in my pledge to make job creation and economic growth centerpieces of my administration. In the short seven months since then, we are well on our way. We've learned much over the last seven months, and are committed to being a working partner with the private sector toward the common goal of a growing economy, coupled with opportunity for all Alaskans.

Given today's economic climate, the stakes are high. But if we work together with this common purpose, we can create a bright future. As we look back on this data from 2008 to tell us where we were, and look forward to quantifying data for 2009, we remember Alaska remains a Great Land of opportunity.

Sincerely,

A handwritten signature in blue ink that reads "Sean Parnell".

Sean Parnell
Governor

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EXECUTIVE SUMMARY

In 2008, the world economy was rocked by a multi-faceted financial crisis that resulted in a severe downturn. While most of the U.S. was significantly impacted, Alaska remained relatively stable economically through the end of 2008. A run-up in the price of oil in the summer of 2008 provided a big boost to the state's treasury.

Alaska's GDP declined slightly in real terms as a result of low oil prices toward the end of the year, but overall Alaska's economy was stable in 2008. Complete-year data reveals growth or stability in many important economic indicators. While the end of 2008 was more than a year ago now, the data are still helpful in understanding Alaska's economy. It should be kept in mind that 2009 was the most economically depressed time since the Great Depression in the minds of many economists. Complete data for 2009 will not start being released until the summer of 2010.

2008 Highlights

- ▶ Nominal GDP \$47.9 billion
- ▶ Real GDP \$29.9 billion
- ▶ Real Per Capita GDP down 2.7%
- ▶ Total State Revenue up 22% to \$13.1 billion
- ▶ Permanent Fund \$35.8 billion
- ▶ ANCSA corporation total revenue \$6.9 billion with total profits of \$258.4 million
- ▶ Population 679,720, 47th largest state
- ▶ Employers added 4,536 jobs, the 21st consecutive year of growth
- ▶ Total wages increased 5.7% to \$14.6 billion
- ▶ Oil and gas contributed \$11.3 billion to the state through tax and royalty payments
- ▶ Mining industry valued at \$3.2 billion
- ▶ Seafood harvest value was \$1.9 billion at the ex-vessel level and \$3.9 billion at first wholesale
- ▶ Visitor industry saw 1.7 million summer visitors
- ▶ Agriculture industry had cash receipts totaling \$32 million
- ▶ Alaska's exports totaled \$3.6 billion
- ▶ Federal spending totaled \$9.4 billion, ranking Alaska 3rd in the U.S based on per capita federal spending.

ALASKA'S GROSS DOMESTIC PRODUCT

.....
\$47.9 billion 2008 GDP
.....

.....
\$29.9 billion Real GDP
.....

Major Economic Sectors:

32% Mining
(Minerals and Oil & Gas)
18% Government
9% Transportation and
Warehousing
7% Real Estate
5% Health Care and
Social Assistance
.....

Gross domestic product (GDP) is a broad measure of the state's economy, measuring the value of goods and services produced within the state. This measurement captures wages and salaries to workers, income earned by businesses, and business taxes. Real GDP is adjusted for inflation based on the value of the dollar in the year 2000. As of publication on June 2, 2009, the 2008 figures are advanced estimates based on limited data sets. Revised estimates are two years behind and based on a larger data set analyzed by the Bureau of Economic Analysis.

Alaska's gross domestic product (GDP) grew 6.7 percent from \$44.9 billion in 2007 to \$47.9 billion in 2008 [Figure 1].¹ The GDP growth rate increased from 3.8 percent between 2006 and 2007 to 6.7 percent between 2007 and 2008. However, while nominal GDP increased, so did inflation. In 2008, the U.S inflation rate increased 1 percent to 3.8 percent.

Real gross domestic product (GDP adjusted for inflation to 2000 dollars) decreased 2.0 percent from \$30.5 billion in 2007 to \$29.9 billion in 2008 - the largest decline of any state.



¹ Bureau of Economic Analysis Advance Estimates, <http://www.bea.gov/regional/gsp/>.

.....
\$43,640 Real Per Capita GDP
2.7% Down

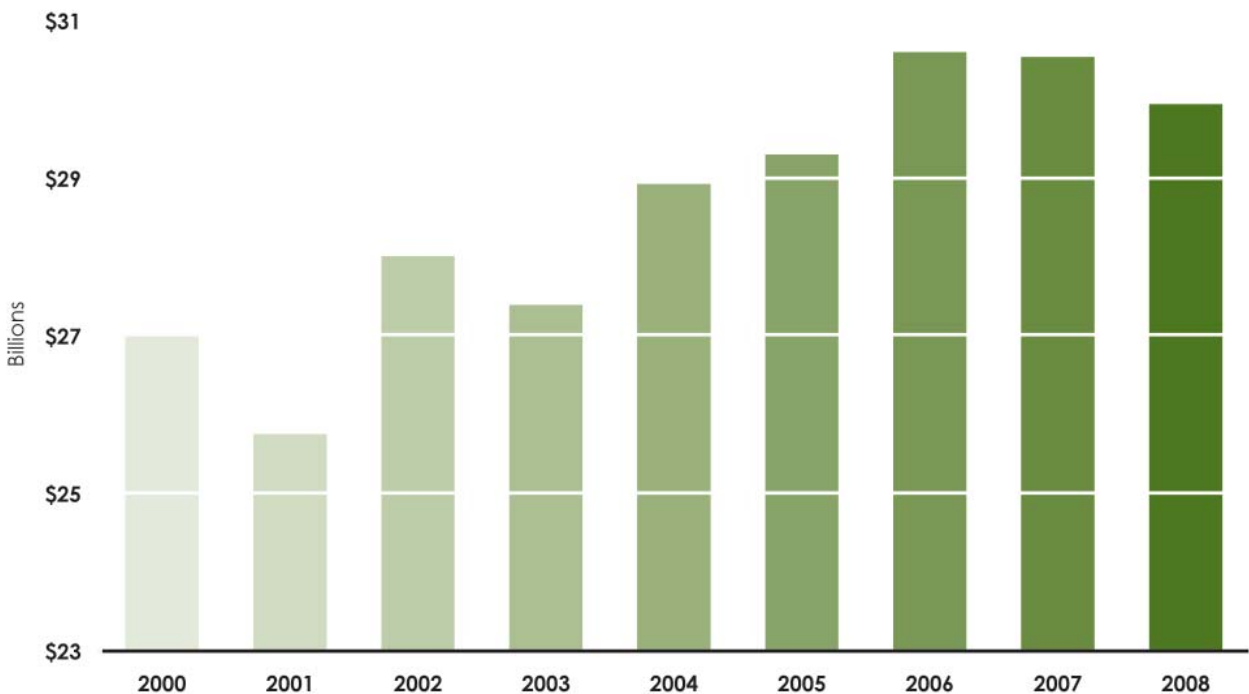
.....
6th Alaska's rank in U.S. for
 Per Capita GDP

This is the second year of decline for Alaska's Real GDP. Revised numbers for 2007 indicate that Real GDP declined 0.2 percent from 2006.

In 2008, Alaska's per capita real GDP declined 2.7 percent to \$43,640. Alaska now ranks sixth in the U.S. in terms of per capita real GDP.

Delaware, with the highest per capita GDP in the nation of \$56,401, realized a 2.9 percent decline from 2007. The national per capita GDP totaled \$37,899 in 2008, a 0.2 percent decline from 2007.

FIGURE 1 | REAL STATE GDP, 2000 - 2008



STATE REVENUE

Total Revenue

\$13.1	billion	in Total Revenue
\$11.3	billion	from Oil
\$(1.3)	billion	from Investments
\$1.9	billion	from Federal
\$1.1	billion	from Other

Total Tax Revenue

\$8.5	billion	FY 2008 Tax Revenue
143%		Increase from FY 2007

\$7.9	billion	Oil and Gas Contribution
--------------	---------	--------------------------

94%	of State Revenue is from Oil and Gas
------------	--------------------------------------

\$182	million	of State Revenue is from Corporate Income Tax
--------------	---------	---

Total state revenue equaled \$13.1 billion in FY 2008², up 22 percent from \$10.7 billion in 2007. The oil industry contributed \$11.2 billion to state revenue, up 120 percent from \$5.1 billion in FY 2007. Federal revenue totaled \$1.9 billion, followed by other revenue, which includes non-petroleum taxes, fees, fines, rent and royalties totaling \$1.1 billion.

Revenue from taxes, which makes up a portion of the \$8.5 billion total revenue in FY 2008, was up 143 percent from 2007, when \$3.5 billion was collected.³ The main contributor to the state's tax revenue is the oil and gas industry. Changes to the industry's tax structure were implemented in FY 2008. The oil and gas industry paid a total of \$7.9 billion to the state, accounting for 94 percent of all state revenue. Of non-petroleum tax sources, the corporate income tax contributed the most, totaling \$182 million in state revenue, while funds collected from mining licenses totaled \$54.4 million. The commercial passenger vessel tax, which had its first full fiscal year of collections, totaled \$46.8 million.

² Includes Non-Tax revenue.

³ State of Alaska Department of Revenue Tax Division "Spring 2009 Forecast."

ALASKA PERMANENT FUND

\$35.8 billion

3.4% Decrease

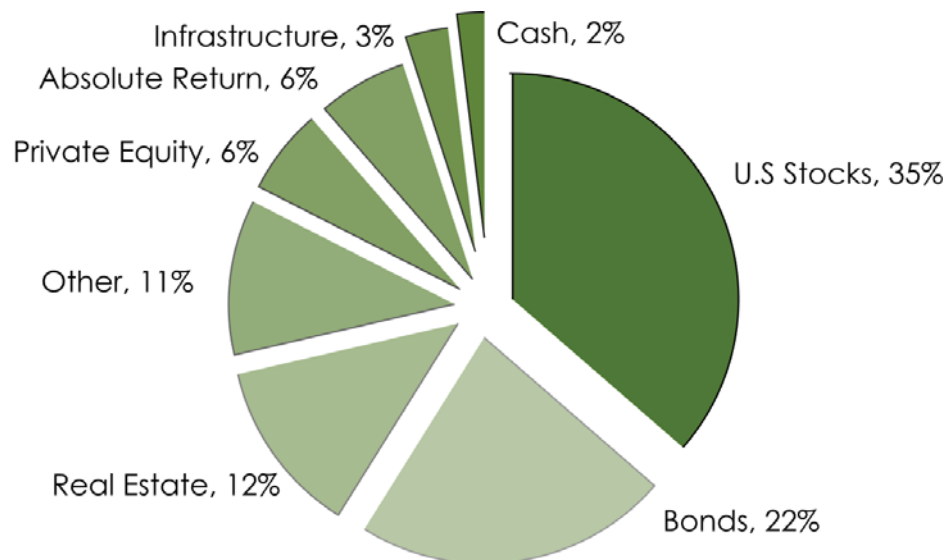
\$1.3 billion in Total Revenue

At the conclusion of the 2008 fiscal year, the permanent fund was valued at \$35.8 billion⁴, which represents a 3.4 percent decrease over FY 2007. During FY 2008, the permanent fund paid out the largest dividend to Alaska residents in history, totaling \$1.3 billion. In 2008, volatility in the world economy significantly impacted financial markets. Due to this environment, the fair market value of the fund's investments declined \$2.5 billion.

As of December 15, 2008, the fund's unaudited value was \$34.4 billion, a 3.93 percent decline since the close of FY 2008.

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FIGURE 2 | ALASKA PERMANENT FUND ASSET ALLOCATION



⁴ "2008 Annual Report" Alaska Permanent Fund Corporation.

ANCSA CORPORATIONS

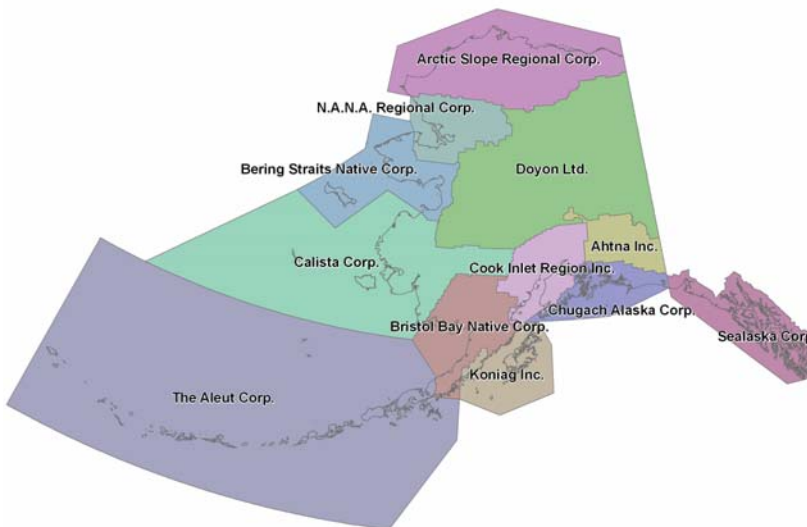
\$6.9 billion	Total ANCSA Corporations Revenue
\$1.8 billion	Arctic Slope Regional Corporation
\$1 billion	Bristol Bay Native Corporation
\$975.5 million	NANA Alaska Corporation
\$258.4 million	Total Profits
\$151 million	Arctic Slope Regional Corporation
\$36 million	The Aleut Corporation
\$36 million	Chugach Alaska Corporation

Alaska's 12 Alaska Native Claims Settlement Act corporations strong financial positions continued in 2008. Total revenue for all 12 corporations' grew in 2008 to \$6.8 billion. However, total net income for all corporations declined in 2008 to \$301.3 million. While revenue was up, the recent economic recession significantly reduced the value of many corporations' investment holding's leading to a decline in net income for some corporations.

Corporations continued to pay dividends to each of their shareholders. Shareholders received dividends ranging from \$1.75 per share to \$61.10 per share in 2008. Corporations are invested diversely in businesses nationwide, ranging from military services to manufacturing as well as in many energy-related businesses in Alaska.

ANCSA corporations are important to shareholders, as they provide numerous services, ranging from employment opportunities and training to cultural preservation. While every corporation didn't post positive net income in 2008, the financial position of the companies remains strong, as total revenue continued to grow during 2008.

FIGURE 3 | ANCSA REGIONAL CORPORATIONS



ALASKA NATIVE CLAIMS SETTLEMENT ACT CORPORATIONS

ANCSA Corporation	Region	Money from ANCSA (Millions)	2008 Revenue (Millions)	Net Income	Shareholders	Dividend per share (2008)
Ahtna Inc.	Cantwell to Mentasta to Harvard Glacier, to Chitina River	\$13.0	\$194.2	\$2,877,628	1,200	\$2.79
The Aleut Corporation	Alaska Peninsula to Aleutian, Shumagin and Pribilof Islands	\$19.5	\$116.1	\$36,580,000	3,574	\$5.60
Arctic Slope Regional Corporation	North Slope region	\$22.5	\$2,300.0	\$151,100,000	9,616	\$61.10
Bering Straits Native Corporation	Nome and Seward Peninsula	\$38.2	\$113.3	\$6,902,681	6,334	\$1.00
Bristol Bay Native Corporation	34 million acres in the Bristol Bay region the size of Ohio	\$32.0	\$1,295.0	\$5,023,000	8,400	\$11.00
Calista Corporation	56,000 square miles in Southwest Alaska	\$80.1	\$224.1	\$26,585,000	13,000	\$1.75
Chugach Alaska Corporation	Prince William Sound	\$11.5	\$951.9	\$36,076,000	2,002	N/A
Cook Inlet Region Incorporated	Represents Alaska's urban center, 38,000 square miles in Southcentral Alaska.	\$34.4	\$11.1	(\$22,817,000)	7,693	\$35.39
Doyon Limited	Across Interior Alaska, Alaska Range, Alaska- Canada border, westward near Norton Sound	\$54.4	\$306.1	\$15,659,706	17,500	\$3.56
Koniag Incorporated	Kodiak Island	\$23.0	\$101.3	\$12,010,000	3,633	\$6.00
NANA Regional Corporation	38,000 square miles in Northwest Alaska	\$44.0	\$1,175.0	\$29,281,000	12,044	\$24.75
Sealaska Corporation	Largest landowner in Southeast Alaska	\$93.0	\$125.8	(\$40,851,000)	20,174	\$4.32
		\$465.6	\$6,913.9	\$258,427,015	105,170	

POPULATION

.....

679,720 Alaska Population

.....

.....

47th Largest State in Terms of
Population

.....

Alaska's annual population estimate released on March 16, 2009 placed Alaska's population at 679,720 in 2008.⁵ Alaska's population grew 0.8 percent between 2007 and 2008, slightly slower than the 2000 to 2008 average of 1 percent. Alaska remains the 47th largest state based on population figures. Only North Dakota, Vermont, the District of Columbia and Wyoming are home to fewer people.

Alaska's population growth is a result of natural increases (births minus deaths). From 2007 to 2008 Alaska added 7,770 people through natural increases, while losing 2,560 to migration. This is the fourth consecutive year that net migration has been negative, and the second year in a row the state has lost more than 2,000 residents to migration.

⁵ Department of Labor and Workforce Development; State, Borough and Place 2008 Populations. Population estimates include Armed Forces in Alaska and exclude seasonal populations.

7,770 Natural Increase in Population

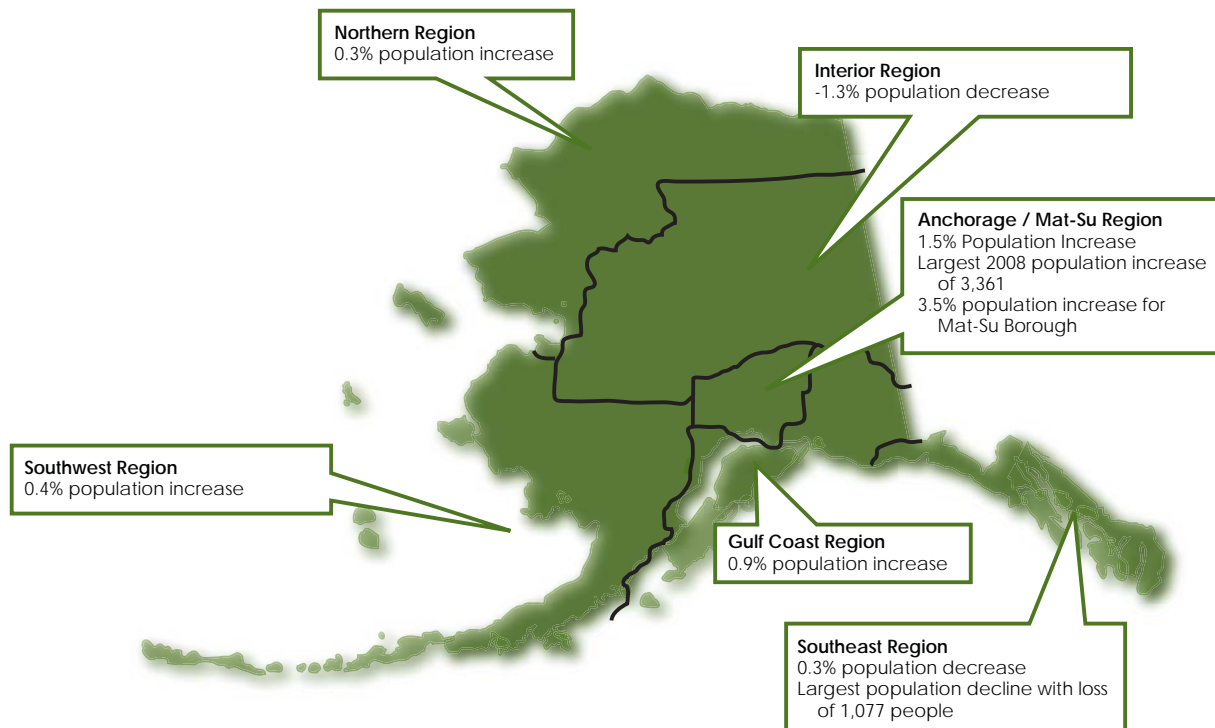
-2,560 Net Migration

3.5% Rate of growth in Mat-Su Borough, the fastest growing part of the state.

The fastest growing region of the state in 2008 was the Mat-Su Borough, reclaiming the title of fastest growing Borough from the Fairbanks North Star Borough. The Mat-Su Borough grew 3.5 percent between 2007 and 2008, slightly below its 2000 to 2008 average of 4 percent.

The Municipality of Anchorage remains the largest community, with an estimated population of 284,994. The City and Borough of Juneau again moves into the second largest community slot, with a population of 30,427.

FIGURE 4 | STATE POPULATION MAP (2008)



.....

Top 3

- 1. Municipality of Anchorage***
 - 2. Juneau City & Borough***
 - 3. City of Fairbanks***
-

The City of Fairbanks slides from second to third with a population of 30,367. While Anchorage has the largest population, growth was 0.9 percent between 2007 and 2008. After a population decline last year, Juneau recovered with population growth of 1 percent in 2008. After an impressive growth of 4.7 percent last year, the Fairbanks population declined 4.3 percent in 2008.

EMPLOYMENT

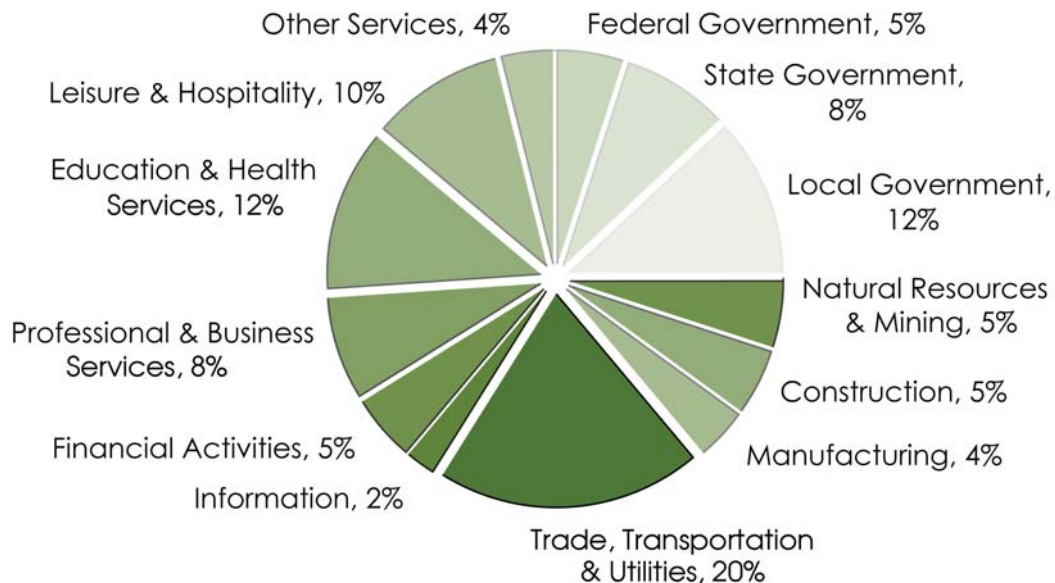


For the 21st consecutive year, wage and salary employment in Alaska grew.⁶ In 2008, Alaska's employment increased 1.4 percent, increasing by 4,536 jobs to 321,724⁷. The natural resources and mining sector dominated employment growth again in 2008, increasing 9.2 percent, a slow down from 2007. The industry employed 15,936 people in 2008, 1,345 more than in 2007. Other sectors with employment increases include Government, Information, Professional and Business Services, Education and Health Services,

⁶ Excludes self-employed workers.

⁷ Alaska Department of Labor & Workforce Development Quarterly Census of Employment & Wages Preliminary 2008 Annual Data.

FIGURE 5 | INDUSTRY PERCENTAGE OF TOTAL ALASKA EMPLOYMENT



80,932

Jobs with the
Largest Employer:
Government

64,834

Jobs with the Largest
Non-Government Sector:
Trade, Transportation,
and Utilities

Wage

\$14.6

billion Total Wages

5.7%

Increase

\$13,486

Highest Monthly
Wage: Oil and
Gas Extraction

\$1,615

Lowest Monthly
Wage: Leisure and
Hospitality

Leisure and Hospitality, as well as Trade, Transportation and Utilities.

Alaska's largest employment sector is Government, comprised of federal, state and local government employees. Government employment totaled 80,932 in 2008, a 1.4 percent increase over 2007. The largest non-government sector, in terms of employment, was Trade, Transportation, and Utilities, with 64,834 workers, an increase of 0.9 percent. In 2008, average employment in the Construction, Manufacturing and Financial Activities sectors declined.

In 2008, total wages for all industries statewide grew 5.7 percent to \$14.6 billion, with average monthly wages totaling \$3,779 per month. The oil and gas extraction industry had the highest monthly wages at \$13,486, a 15 percent increase over 2007. Mining support was second, with monthly wages of \$7,916, a 9 percent increase. The lowest average monthly wage was earned in the Leisure and Hospitality sector, which saw an average monthly wage of \$1,615, a 0.3 percent increase over the previous year. In 2007, no Alaska industry had declines in average monthly wages. However, this changed during 2008 with wage decreases in the Manufacturing sector.

OIL AND GAS

.....
\$11.3 billion Total Restricted
 and Unrestricted
 Taxes and Royalties

.....
5.4% Decrease in Oil
 Production

.....
214% Increase in Production
 Taxes Collected

14

Alaska's oil and gas industry is the largest source of state revenue. The industry also provides some of the highest paying jobs in the State. In 2008, the industry faced high volatility in the price of oil. The ANS West Coast Average Spot Price rose from \$91 per barrel in January to a peak of \$133 per barrel before falling to \$37 per barrel by December.

FY 2008 was the first year of tax collection under HB2001, Alaska's Clear and Equitable Share (ACES), which was signed into law December 19, 2007. Under ACES, the base oil and gas production tax rate increased from 22.5 percent to 25 percent. The progressive surcharge tax rate was also increased from 0.25 percent on every dollar the net profit per barrel exceeds \$40 per barrel, to 0.4 percent for every dollar net profit is

Restricted Revenue

\$799.1 million Royalties to
Permanent Fund
& School Fund

\$438.1 million Settlements
to CBRF

\$5.2 million in NPR-A
Royalties

above \$30 per barrel. If net profits per barrel are more than \$92.50, the progressive surcharge is 0.1 percent on every dollar of net profit above \$92.50. ACES levies the same tax on net value of oil and gas production as the Petroleum Production Tax (PPT) passed in 2006. Also, the new legislation continued tax credits for capital expenditures, exploration costs, prior year investments and small producer incentives, with some amendments to the rate and timing of these credits.

In FY 2008, the oil and gas industry paid \$6.9 billion in production taxes, \$2.4 billion in royalties, \$605.8 million in corporate income taxes, \$799.1 million in royalties to the permanent fund and education fund, \$438.3 million in tax settlements to the constitutional budget reserve, \$81.5 million in property taxes, and \$5.2 million in NPR-A royalties, rents, and bonuses. In total, the oil and gas industry paid \$10 billion in taxes and royalties to the State's unrestricted budget, accounting for 93 percent of unrestricted revenue in FY 2008 [Figure 6]. The industry contributed another \$1.3 billion

Unrestricted Revenue

\$6.9 billion Production Tax

\$605.8 million Corporate Income Tax

\$81.5 million Property Tax

\$2.4 billion Royalties (including Bonuses, Rents & Interest)

in restricted revenue. The total contribution of the oil and gas industry totaled \$11.3 billion during FY 2008.

The increase in total taxes collected by the state resulted from changes to the tax structure as well as high oil prices. In FY 2008, oil producers paid taxes under ACES, a change from 2007 when taxes were paid under the PPT tax structure. Production taxes collected grew from \$2.2 billion in 2007 to \$6.9 billion in 2008, a 214 percent increase.⁸ Increases in the price of oil per barrel, coupled with changes in the tax structure, resulted in significant growth in state oil revenues, despite declining production.

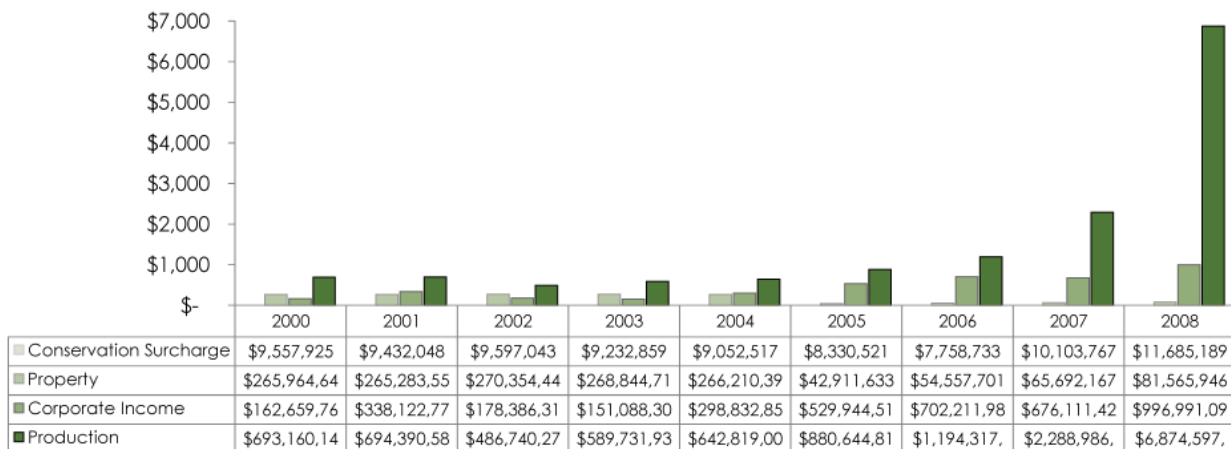
⁸ Department of Revenue, Fall 2007 Revenue Sources Book, and Fall 2008 Revenue Sources Book.

Oil production from State lands decreased 5.4 percent from 285.9 million barrels to 270.6 million barrels.

Gas production on State lands produced 104.5 billion cubic feet of gas. Royalties on this production totaled \$64.3 billion in 2008.⁹

⁹ Department of Revenue-Tax Division
Revenue Sources Book Fall 2007.

FIGURE 6 | OIL AND GAS TAX REVENUE (2000 - 2008)



MINING



The gross value of mineral production is equal to the recovered minerals or metal, multiplied by the average price of the commodity for the year.

The gross value of Alaska's minerals industry was \$3.2 billion in 2008, down from a record \$4 billion in 2007 and \$3.5 billion in 2006. Development at the Rock Creek, Pogo, Fort Knox, Kensington, Chuitna Coal sites, and significant exploration expenditures at other projects, fueled another good year for the industry in 2008. Mining provides high-wage jobs around the State, with close ties to ANCSA corporations, benefiting shareholders statewide.

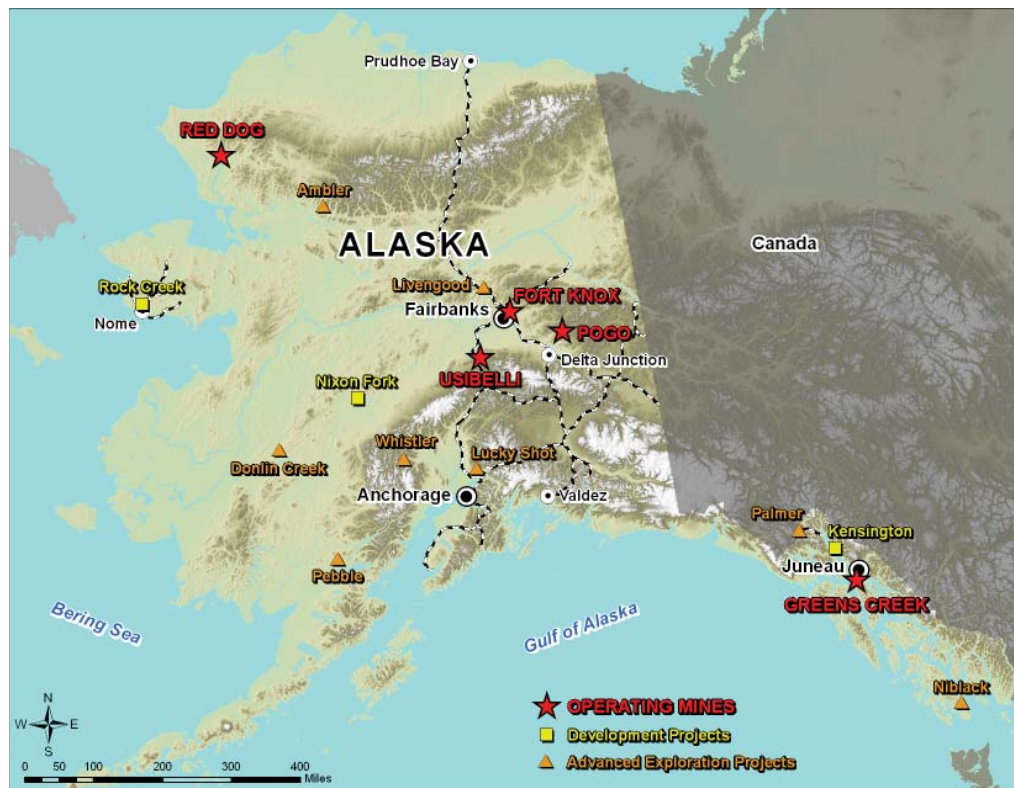
The value of Alaska's mineral industry slightly exceeded \$1 billion dollars from 1996-2003. Since 2003, the total value of the industry quadrupled to \$4 billion in 2007. The largest increase was between 2005 and 2006, when the value nearly doubled from \$1.8 billion to \$3.5 billion.

In 2008, Alaska's mineral production value totaled \$2.4 billion, while exploration totaled \$347.3 million, and development expenditures were \$396.2 million.

Alaska's mineral industry provided approximately 509 full-time-equivalent exploration jobs, 468 full-time-equivalent development jobs, and 2,311 full-time-equivalent

production jobs in 2008. The 2008 total payroll of Alaska mineral industry jobs is estimated to be \$350 million.¹⁰ Alaska's largest producing mines include the Red Dog lead and zinc mine near Kotzebue; the Fort Knox gold mine near Fairbanks; the Pogo gold mine near Delta Junction; the Usibelli coal mine near Healy; and the Greens Creek gold, silver, lead, and zinc mine near Juneau. The industry provided some of Alaska's highest paying jobs, with an estimated average annual wage of \$82,600, 90 percent higher than the state average for all sectors of the economy, and the second highest after Oil and Gas sector wages.¹¹

Ninety-two percent of Alaska's State-owned land comprised of 104 million acres, is open to mining. The 13 Alaska Native regional corporations own an additional 44 million acres, and some of them actively market resource development on their lands. Approximately 49.6 percent of the 215 million acres of

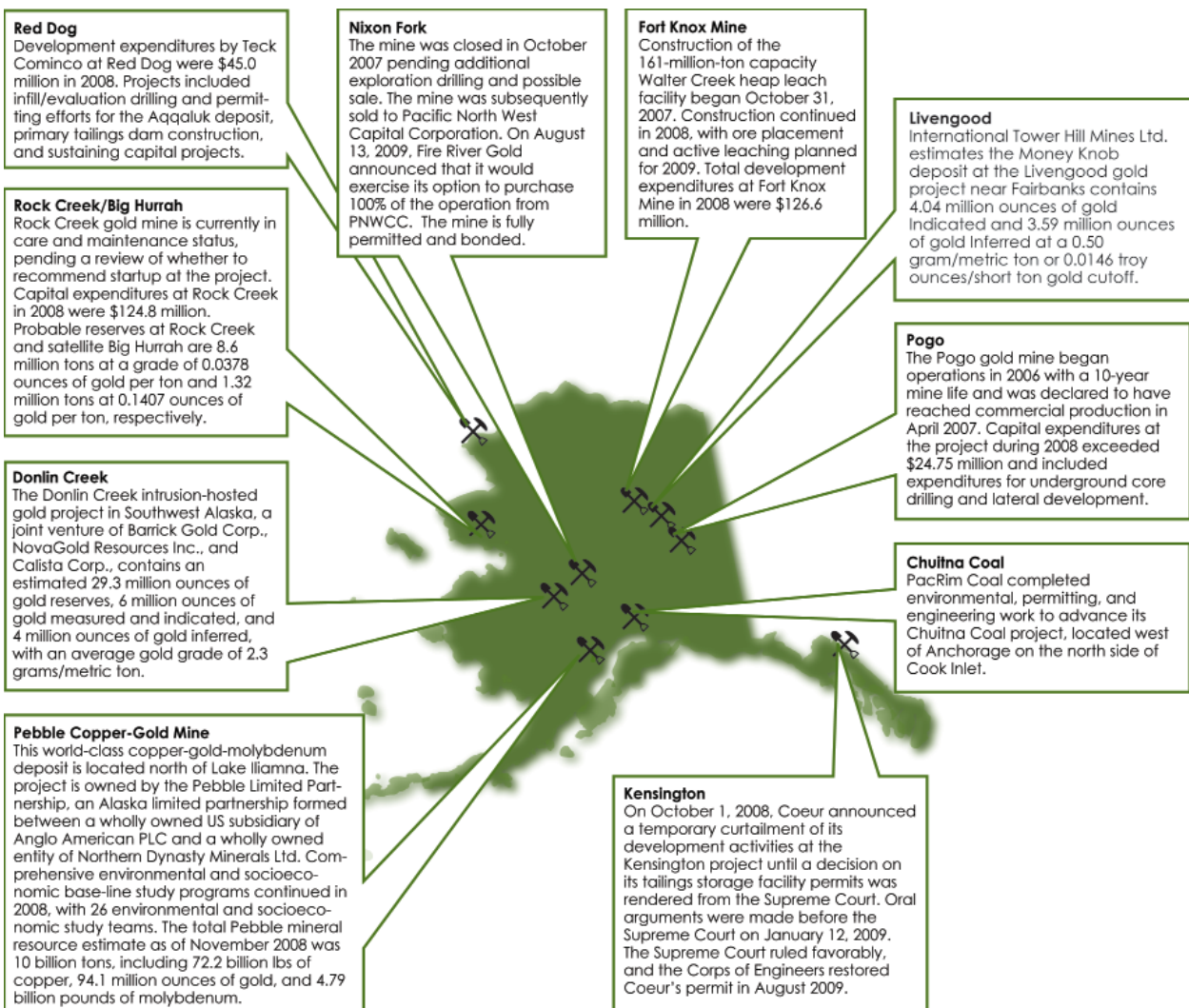


¹⁰ The Economic Benefits of Alaska's Mining Industry. McDowell Group. January 2009.

¹¹ The Economic Benefits of Alaska's Mining Industry. McDowell Group. January 2009.

federal lands in Alaska are open to mining. Corporations have partnered with international investors to develop the North Slope oil fields and the Red Dog mine, and more recently to explore Alaska's Southwest region. Presently, more than 29.3 million ounces of gold resources have been identified at the Donlin Creek project, making it the second largest gold project in North America and one of the largest undeveloped gold projects in the world. One of the largest gold projects on the continent is the Pebble Copper-Gold project with an estimated resource of 94 million ounces of gold, 70 billion pounds of copper, and 4.8 billion pounds of molybdenum.

FIGURE 7 | ALASKA MINING DEVELOPMENT 2008



Net Rate of Return for Minerals

Following is the Mineral industries Fiscal Year (FY) 2008 Net Return to the State of Alaska. This information is a broad-scale look at the industry's impact on the State treasury. This analysis is not intended to be an economic cost/benefit analysis. Revenue from the industry is collected through various taxes and fees. Expenditures by State government in support of the industry come from a variety of sources. Some funds are directly passed from one department to another (pass thru), some are related fees, and some come from the State general fund (a collection of taxes and fees from all revenue sources)¹². The following analysis does not include federal money received on behalf of the industry. While federal funds impact the State's budget, they are restricted funds, meaning their use is restricted to specific purposes determined prior to appropriation.

$$\text{Net Return} = [\text{State taxes and fees} - \text{Expenditures in direct support of respective industry}]$$

Funds marked as pass thru, are funds collected by one agency then passed through the accounting system to another agency for spending. These funds are counted as revenue by the department that first collected funds from the industry. General funds are marked as negative figures in the Difference column, as programs receive some funding directly from industry and the difference is made up by the General Fund. Programs paid for only by general funds have a zero in the Revenue column.

In FY 2008, the minerals industry had a Net Return to the State of \$129.7 million. The industry contributed \$144.7 million into the State's treasury, while government programs expended \$15.1 million in support of the industry.

The Department of Revenue collected \$115.7 million from various taxes and fees, while spending \$1.5 million in support of it. The Department of Natural Resources collected \$12.3 million from the industry and spent \$3.6 million in support. The Department of Education and Early Development spent \$100,000 of general funds in support of the industry. The Department of Commerce, Community, and Economic Development collected \$16.2 million, while spending \$8.8 million. The State's Department of Transportation and Public Facilities spent \$690,000 supporting mineral industry activity. The Department of Environmental Conservation also receives funds from the mineral industry totaling \$463,600, while expending \$362,500 on programs in support of the industry. Taxes and fees collected from the mineral industry are placed into the State's general fund. Overall, the minerals industry contributed significantly more revenue to the State's treasury than the State spent in support of it during FY 2008.

¹² In many cases, funds are estimated, as they are not collected based on industries.

Fiscal Year 2008
Net Return to the State of Alaska
Minerals

	SOURCES (Revenue)	USES (Expenditures)	Difference
Agency - Program	State Funds	State Funds	Revenue - Expenditures
Department of Revenue	\$115,739,768	\$1,492,249	\$114,247,519
Corporate Income Tax	\$61,331,540	\$990,799	\$60,340,741
Mining License	\$54,408,228	\$501,450	\$53,906,778
Department of Natural Resources	\$12,461,718	\$20,318,081	\$(7,856,363)
Division of Mining Land & Water	\$10,880,700	\$9,949,000	\$931,700
Office of Project Management & Permitting	Pass thru	\$9,047,300	\$(9,047,300)
DGGS	\$1,321,781	\$1,321,781	\$-
SPCO	\$182,237	\$-	\$182,237
Mental Health	\$77,000	\$-	\$77,000
Department of Education & Early Development	\$-	\$1,000,000	\$(1,000,000)
AMEREF	\$-	\$1,000,000	\$(1,000,000)
Department of Commerce & Economic Development	\$16,218,000	\$8,807,300	\$7,410,700
AIDEA	\$16,218,000	\$8,660,300	\$7,557,700
Office of Economic Development	\$-	\$147,000	\$(147,000)
Dept. of Transportation & Public Facilities	Pass thru	\$690,000	\$(690,000)
Dept. of Environmental Conservation	\$463,600	\$362,500	\$101,100
Water Quality	\$220,400	\$303,500	\$(83,100)
Air Quality	\$243,200	\$59,000	\$184,200
Total by Category	\$144,883,086	\$32,670,130	\$112,212,956

SEAFOOD

.....
\$1.9 billion Ex-Vessel

.....
\$3.9 billion First Wholesale

.....
\$1.8 billion In Exports

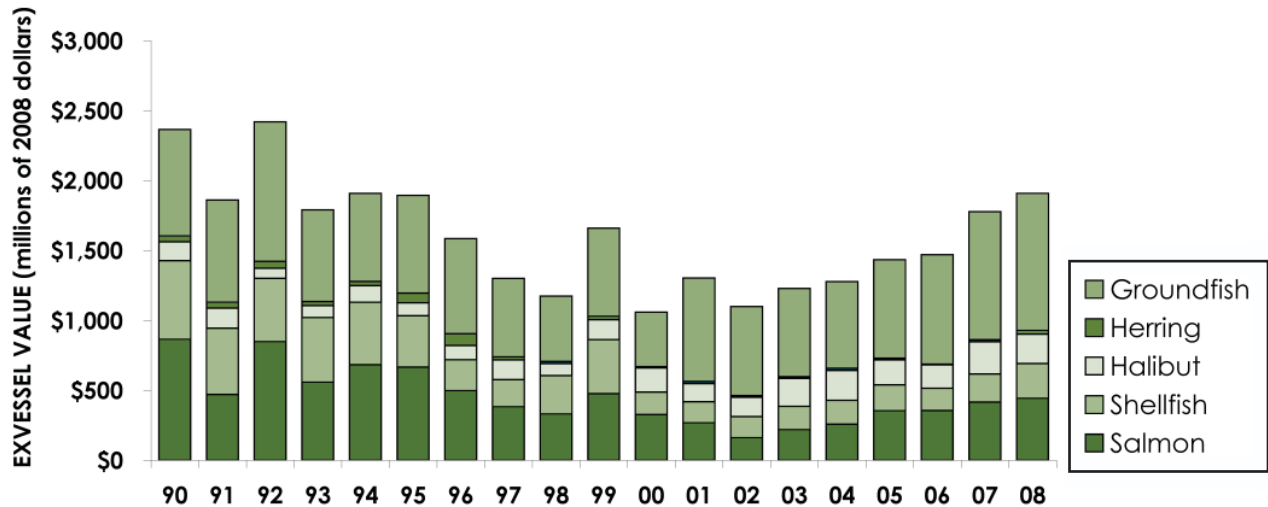
The first wholesale value is defined as the price point when a product first leaves the processor's distribution network. This information is collected by the Department of Fish and Game in the Commercial Operators Annual Report.

Alaska's commercial fisheries continue their recent upward trend in value. Total 2008 Alaska seafood earnings are among some of the highest in recent years, with seafood exports totaling \$1.8 billion, accounting for more than half of Alaska's total export value. In 2008, Alaska's commercial fishermen harvested seafood with an ex-vessel value of \$1.9 billion. Seafood processors earned \$3.9 billion based on the first wholesale value, exceeding 2007's ex-vessel and first wholesale values of \$1.7 billion and \$3.6 billion, respectively. When adjusted for inflation, the 2008 earnings are the highest received for both sectors since 1992. [Figure 8]

Two of the country's five top fishing ports ranked by total harvest volume and value were in Alaska. Dutch Harbor remains first in terms of volume and second in value at \$174 million; Kodiak was again fourth in volume, placing third in value with nearly \$127 million in seafood. Alaska ports accounted for 40 percent of the total value of the top 10 ports in the U.S. the U.S. in terms of value.¹³

¹³ NOAA: Fisheries of the United State, 2007 (most recent publication).

FIGURE 8 | ALASKA'S TOTAL FISHERIES VALUE (NOMINAL & REAL) 1990-2008



Alaska Top Ports

1st Dutch Harbor (\$165.2 million)

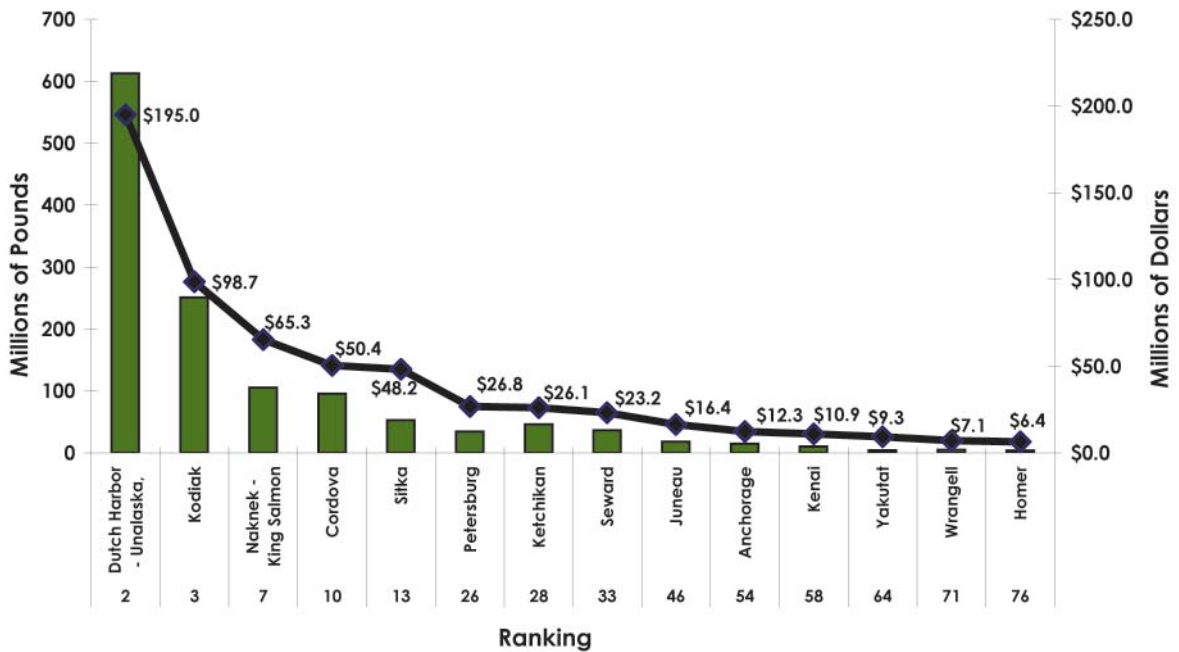
3rd Kodiak (\$101.4 million)

4 Alaska ports in U.S.
top 10, by value

The commercial groundfish fishery is the largest and most valuable commercial fishery in the state, accounting for approximately 56 percent of Alaska's total seafood production value. In 2008, commercial fishermen received \$975 million for total groundfish harvests, 6 percent more than the previous year. Despite recent reductions in the total allowable catch (TAC) of pollock, it accounts for the largest share of Alaska's groundfish industry in volume and value. In 2008, pollock TAC totaled 1 million metric tons.¹⁴

¹⁴ NOAA Fisheries, Alaska Groundfish Catch Reports, 2008.

FIGURE 9 | 2008 ALASKA COMMERCIAL FISHERIES LANDINGS
AMONG TOP 100 DOMESTIC PORTS RANKED BY DOLLARS



■ = Pounds

In 2008, Alaska's annual seafood exports totaled \$1.8 billion¹⁵, a 10 percent decrease from the previous year, but still the fourth highest year since statehood. Alaska exported \$553 million to Japan, the state's largest seafood export market, \$404 million to China, \$226 million to Korea, \$168 million to Germany, and another \$449 million to markets around the world.¹⁶

The 2008 commercial salmon harvest of 146 million fish was Alaska's 16th largest salmon harvest since 1960.¹⁷ In 2008, approximately 20 percent of total seafood earnings were attributed to salmon harvests. The ex-vessel salmon harvest of \$445 million in 2008 was up slightly from the \$416 million earned

¹⁵ Export value only includes product exported from Alaska ports. Seafood products shipped outside Alaska prior to exporting are excluded.

¹⁶ Alaska Office of International Trade.

¹⁷ ADF&G Commercial Fisheries Special Publication 09-07.

by commercial fishermen the previous year, and exceeded the five-year average of \$242 million by 54 percent. In 2008, sockeye salmon accounted for 44 percent of total salmon ex-vessel value, down 10 percent from 2007.

According to ADF&G data, in 2008 commercial salmon fishermen received higher average prices for all species except sockeye. Average chinook prices increased from \$3.07 per pound in 2007 to \$4.28 per pound (39 percent). Coho salmon increased from \$0.96 per pound to \$1.21 per pound (26 percent); chum salmon increased from \$0.34 per pound to \$0.53 per pound (56 percent); and pink salmon from \$0.19 per pound to \$0.29 per pound (10 percent). Sockeye salmon fell from an average statewide price of \$0.80 per pound in 2007 to \$0.78 per pound in 2008 (down 2.5 percent).¹⁸

Alaska produced 33.4 million pounds of fresh H&G salmon and fresh fillets in 2008, down 15 million pounds from 2007 production, slowing a trend of increasing fillet production. The 2008 value of fresh salmon to the seafood processors was \$65.8 million, down 19 percent from 2007. Frozen salmon currently accounts in value for slightly more than 86 percent of fresh/frozen salmon.¹⁹

Strong interest in Alaska salmon roe, both in Europe and Japan continues.

Halibut and sablefish have become some of the

¹⁸ ADF&G 2008 Alaska Commercial Salmon Harvests and Ex-vessel Values (Preliminary).

¹⁹ Alaska Department of Revenue Tax Division Annual Alaska Salmon Production Report: Jan. 1.

highest valued seafood products on a per pound basis. Recent harvests of halibut and sablefish account for as much as 20 percent of total statewide ex-vessel value. Ex-vessel halibut earnings in 2008 declined slightly to \$211 million, compared with \$230 million the previous year, mainly a result of a 2 million pound decline in total catch, compared with 2007. Prices paid to fishermen ranged from \$4.10 to \$4.70 per pound. Age composition studies from the Alaska Fisheries Science Center's Sablefish Assessment point to reduced recruitment of young sablefish in 2008 and a decline in older fish. For the short term, this will result in fewer sablefish harvested and explains why the 2008 total allowable catch was set at just under 30 million pounds, compared with 33.5 million pounds the previous year. In 2008, strong demand and a weak dollar resulted in record-setting ex-vessel prices offered by Japanese buyers with \$5 per pound for fish larger than 7 pounds, versus \$4.70 per pound in 2007. Japan continues to dominate the sablefish market, controlling more than 80 percent of sales.

Alaska shellfish, comprised of crab, shrimp, and miscellaneous shellfish, play an important role in the Alaska seafood industry. During 2008, commercial shellfish harvesters landed 102 million pounds, 37 million pounds more than 2007, with an ex-vessel value of \$247 million, or \$47 million above the previous year. Most of Alaska's shellfish harvest value is attributed to Bering Sea king and opilio crab harvests. In 2008, 20 million pounds of red king crab worth \$84 million was

harvested by commercial fishermen. The 2008 red king crab harvest volume was up 3 percent from 2007. Opilio crab harvests totaling 63 million pounds in 2008, twice the number of pounds landed in 2007, had an ex-vessel value of \$100 million.

Mariculture efforts in Alaska focus on oyster, mussel, and clam production among approximately 26 productive permitted farms. Essentially all earnings come from oyster sales. In 2008, the farm gate value from Alaska mariculture sales totaled \$463,513, down slightly from \$493,598 in 2007. While total farm gate value has been declining since reaching a high of \$676,045 in 2005, it is considered a short-term effect expected to turn around in the near term as more product matures to marketable size.

Net Rate of Return for Seafood

Following is the Seafood industries Fiscal Year (FY) 2008 Net Return to the State of Alaska. This information is a broad-scale look at the industry's impact on the State treasury. This analysis is not intended to be an economic cost/benefit analysis. Revenue from the industry is collected through various taxes and fees. Expenditures by State government in support of the industry come from a variety of sources; some funds are directly passed from one department to another (pass thru), some are related fees, and some come from the State general fund (a collection of taxes and fees from all revenue sources).²⁰ The following analysis does not include federal money received on behalf of the industry. While federal funds impact the State's budget, they are restricted funds, meaning their use is restricted to specific purposes determined prior to appropriation.

$$\text{Net Return} = [\text{State taxes and fees} - \text{Expenditures in direct support of respective industry}]$$

Funds marked as pass thru, are funds collected by one agency then passed through the accounting system to another agency for spending. These funds are counted as revenue by the department that first collected funds from the industry. General Funds are marked as negative figures in the Difference column, as programs receive some funding directly from industry and the difference is made up by the General fund. Programs paid for only by general funds have a zero in the Revenue column.

In FY 2008, the seafood industry had a Net Return to the State of \$23.5 million. The industry contributed \$84.6 million into the State's treasury, while government programs expended \$61.2 million in support of the industry.

The Department of Revenue collected \$67.2 million from various taxes and fees, while spending \$1 million in support of it. The Department of Fish & Game collected \$16.2 million from the industry; however, they spent \$42.6 million in support of the industry. The Department of Commerce, Community, and Economic Development collected zero money from the industry. However, the department spent \$15.5 million in support of the seafood industry. The Department of Environmental Conservation also receives funds from the seafood industry totaling \$1.2 while expending \$2.1 million on programs in support of the industry. Each department receives funding from the general fund to support operations. Overall, the seafood industry contributed more revenue to the State's treasury than the State spent in support of it during FY 2008.

²⁰ In many cases, funds are estimated, as they are not collected based on industries.

Fiscal Year 2008

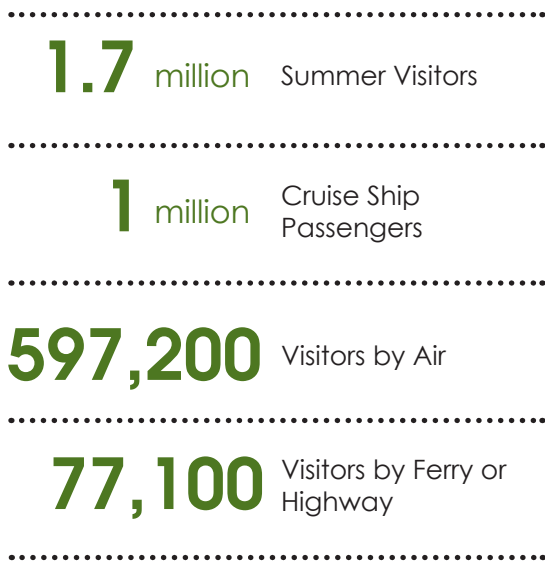
Net Return to the State of Alaska

Seafood

	SOURCES (Revenue)	USES (Expenditures)	Difference
Agency - Program	State Funds	State Funds	Revenue - Expenditures
Department of Revenue	\$67,262,373	\$956,626	\$66,305,747
Corporate Income Tax	\$2,651,043	\$44,364	\$2,606,679
Dive Fishery Management	\$373,120	\$10,396	\$362,724
Fisheries Business	\$34,992,328	\$542,648	\$34,449,680
Fishery Resource Landing	\$13,661,758	\$171,475	\$13,490,283
Salmon Enhancement	\$5,484,160	\$135,906	\$5,348,254
Seafood Development	\$1,386,282	\$21,088	\$1,365,194
Seafood Marketing	\$8,713,682	\$30,749	\$8,682,933
Salmon Marketing	\$-	\$-	\$-
Department of Fish & Game	\$16,210,030	\$42,581,361	\$(26,371,331)
Commercial Fisheries Revolving Loan Fund	\$1,215,900	\$1,215,900	\$-
Program receipts from non-state/federal agencies	\$3,521,699	\$3,521,699	\$-
Test Fishery Receipts	\$2,087,964	\$1,292,796	\$795,168
Commercial Crewmember Licenses	\$1,139,400	\$787,600	\$351,800
Commercial Fisheries CFEC Receipts	\$1,407,100	\$1,407,100	\$-
Dive Fishery Receipts	\$610,480	\$417,252	\$193,228
Reimbursable Service Agreements	Pass Thru	\$722,788	\$(722,788)
Exxon Valdez Oil Spill Projects	Pass Thru	\$248,848	\$(248,848)
General Funds	\$-	\$28,251,900	\$(28,251,900)
General Funds Matched with Federal Funds	\$-	\$410,800	\$(410,800)
CFEC Permitting	\$6,003,062	\$3,527,136	\$2,475,926
Boards	\$224,425	\$777,542	\$(553,117)
Department of Commerce, Community & Economic Dev.	Pass Thru	\$15,553,700	\$(15,553,700)
AK Seafood Marketing Institute	Pass Thru	\$9,238,300	\$(9,238,300)
DCRA	Pass Thru	\$2,406,000	\$(2,406,000)
Division of Investments	Pass Thru	\$3,838,500	\$(3,838,500)
OED	\$-	\$70,900	\$(70,900)
Dept. of Environmental Conservation	\$1,177,500	\$2,079,900	\$(902,400)
Water Quality	\$98,900	\$101,900	\$(3,000)
Food Safety & Sanitation	\$626,800	\$1,488,900	\$(862,100)
Laboratory Services	\$451,800	\$489,100	\$(37,300)
Total by Category	\$84,649,903	\$61,171,587	\$23,478,316

Note: ASMI received \$500,000 from Fisheries Marketing Board

TOURISM



The 2008 Alaska Visitor Statistics Program (AVSP) estimates that 1.707 million out-of-state visitors came to Alaska between May and September 2008. This is a slight decrease of 0.4 percent from the 1.714 million visitors in summer 2007. Of these visitors in 2008, 1,033,100 were cruise ship passengers. Approximately 597,200 entered and exited the state by air. Another 77,100 entered or exited the state by highway or ferry. [Figure 10]

Growth for the cruise visitors represented the sector's only growth area in 2008. But the growth rate was the lowest in the last two decades, at 0.3 percent increase over 2007's visitation of 1,029,800. Compared with 2007, non-cruise visitors dropped by 1.5 percent in summer 2008, following a 1.7 percent increase between summers 2006 and 2007.

Most of the overall visitor decline was due to fewer air passengers, who represented 35 percent of the total summer market. Visitors arriving and departing by air declined 0.84 percent from 602,100 in 2007, but the decrease represents the first time in this decade that the air category has not increased.

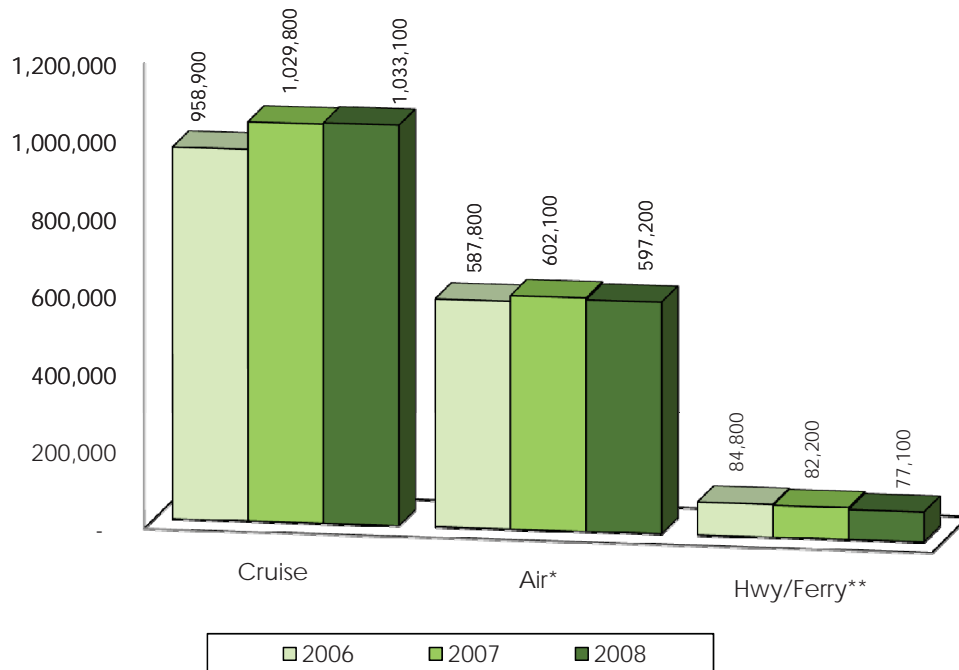
The gradual decline of the highway/ferry market continued in the Alaska market, dropping an additional 6.2 percent from 82,200 visitors in 2007.

Likely, the drop in summer 2008 visitation may have been the result of the economic recession and high gasoline prices.

Of the total 1.7 million visitors, 1.4 (82 percent) million visitors to Alaska were visiting for vacation or pleasure; 153,700 (9 percent) visited friends or relatives; and 153,700 (9 percent) conducted business in the state.

The Department of Commerce, Community, and Economic Development is currently working with a contractor on a study of the economic impact of Alaska's visitor industry.

FIGURE 10 | ALASKA VISITORS BY TRANSPORTATION MARKET
MAY TO SEPTEMBER 2007 AND 2008



*Entered and exited by air
**Entered and exited by highway or ferry

Net Rate of Return for Tourism

Following is the Tourism industries Fiscal Year (FY) 2008 Net Return to the State of Alaska. This information is a broad-scale look at the industry's impact on the State treasury. This analysis is not intended to be an economic cost/benefit analysis. Revenue from the industry is collected through various taxes and fees. Expenditures by State government in support of the industry come from a variety of sources. Some funds are directly passed from one department to another (pass thru), some are related fees, and some come from the State general fund (a collection of taxes and fees from all revenue sources).²¹ The following analysis does not include federal money received on behalf of the industry. While federal funds impact the State's budget, they are restricted funds, meaning their use is restricted to specific purposes determined prior to appropriation.

$$\text{Net Return} = [\text{State taxes and fees} - \text{Expenditures in direct support of respective industry}]$$

Funds marked as pass thru, are funds collected by one agency then passed through the accounting system to another agency for spending. These funds are counted as revenue by the department that first collected funds from the industry. General funds are marked as negative figures in the Difference column, as programs receive some funding directly from industry and the difference is made up by the General Fund. Programs paid for only by general funds have a zero in the Revenue column.

In FY 2008, the tourism industry had a Net Return to the State of \$68.7 million. The industry contributed \$102.0 million into the State's treasury, while government programs expended \$33.3 million in support of the industry.

The Department of Revenue collected \$75.7 million from various taxes and fees, while spending \$506,739. The Department of Fish and Game collected \$16.5 million from the tourism industry, while spending \$16.5 million on programs related to the industry. The Department of Commerce, Community, and Economic Development spent \$5.5 million in support of the industry. The Department of Natural Resources collected \$3.3 million, while spending \$7.9 million in support of the industry. The Department of Environmental Conservation received funds totaling \$6.4 million, while expending \$2.9 million supporting the industry. Overall, the tourism industry contributed more revenue to the State's treasury than the State spent in support of it during FY 2008.

²¹ In many cases, funds are estimated, as they are not collected based on industries.

Fiscal Year 2008

Net Return to the State of Alaska

Tourism

	SOURCES (Revenue)	USES (Expenditures)	Difference
Agency - Program	State Funds	State Funds	Revenue - Expenditures
Department of Revenue	\$75,696,577	\$506,739	\$75,189,838
Corporate Income Tax	\$20,404,526	\$254,354	\$20,150,172
Commercial Passenger Vessel Excise Tax	\$46,839,178	\$118,799	\$46,720,379
Vehicle Rental Tax	\$8,452,873	\$133,586	\$8,319,287
Department of Fish & Game	\$16,544,997	\$16,455,470	\$89,527
Non-resident sport fishing	\$10,926,505	\$10,997,654	\$(71,149)
Non-resident hunting and trapping	\$5,618,492	\$5,457,816	\$160,676
Department of Commerce & Economic Development	\$-	\$5,484,000	\$(5,484,000)
Alaska Tourism Industry Association	Pass thru	\$4,200,000	\$(4,200,000)
Office of Economic Development	\$-	\$390,800	\$(390,800)
Qualified Trade Association Independent Traveller Grant	Pass thru	\$893,200	\$(893,200)
Department of Natural Resources	\$3,343,500	\$7,901,000	\$(4,557,500)
Parks & Outdoor Recreation	\$3,343,500	\$7,901,000	\$(4,557,500)
Dept. of Environmental Conservation	\$6,388,500	\$2,942,500	\$3,446,000
Cruise Ship Monitoring	\$6,388,500	\$2,942,500	\$3,446,000
Total by Category	\$101,973,574	\$33,289,709	\$68,683,865

WOOD PRODUCTS

15.5 mmbf

Sold by
Division of Forestry

\$83 million

Value of logs sold by Alaska
Native corporations, the
Mental Health Land Trust
and the University of Alaska

Alaska's timber regions are managed by four landholders: federal government (51 percent); State, University and local governments (25 percent); Native Corporations (23.6 percent); and other private landowners (0.4 percent). Most of the commercial timber harvest historically has taken place in the coastal zone, primarily on federal and Native Corporation lands. There is, however, new interest in the resources of Alaska's boreal forests, which consist of white spruce, paper birch and quaking aspen.

As of 2008, reported direct jobs in the forest products industry in the Southeast region were less than 500, with only a single sawmill still operational in southern Southeast. Log export values to Asia in 2008 were \$83 million, comprising 2 percent of Alaska's total export value to the Pacific Rim. However, this total reflects a decline from 2006's \$112 million. In order of total purchases, the three largest trading partners in 2008 were Japan, Korea and China. However, the China log market continues to grow. As of October 2009, it became the largest market for Alaska logs, comprising nearly half of all log purchases for the first nine months of 2009.

Some Chinese purchasers have also expressed interest in purchasing softwood lumber from Alaska, a potential new market for the industry.

Timber volume sold from State forested lands declined significantly in 2008. From a 10-year high of 61 million board feet (mmbf) in 2007, the volume dropped to 15.5 mmbf in 2008. This primarily reflects a much lower volume available for sale in the southern Southeast region of the state, where an accelerated sale schedule was being utilized to supply struggling sawmills. The State's ability to sustain that pace was limited, and can no longer be maintained.

Despite the greatly reduced volume, State revenue from timber sales increased significantly in 2008. Program revenue from timber sales in Fiscal Year 2008 was \$1.26 million, the highest in a decade. Some factors contributing to this increase are a higher percentage of State sales being bid (as opposed to negotiated), and a jump in the value of fuel wood on the open market.

With the closure of the wood-chip export facility at Port MacKenzie in the Matanuska-Susitna Borough, Alaska trade in wood chips is no longer a factor in the industry. This has been offset to some extent, however, by a shift toward wood pellet manufacturing. The first commercial wood pellet plant in Alaska began operations at Dry Creek, near Delta Junction, in 2009, and another plant is expected to open soon in Fairbanks.

In 2007, the Office of Economic Development collaborated with the Division of Forestry and Fairbanks Economic Development Council in completely revising the "New Growth" prospectus, which was initiated in December 2003. During 2008 and 2009, DNR has been pursuing additional stand-level inventory data to further shore up the ability of the state to encourage local value-added processing in the hardwoods segment of the resource base. This information is now available. Interest in Alaska hardwoods remains a potential new market for the Alaska forest products industry. Sawmills in China and the Lower 48 have expressed interest in purchasing kiln-dried hardwood lumber from Alaska, with particular interest in paper birch. Key challenges are a stable supply of purchasable timber and the cost of transportation.

Net Rate of Return for Timber

Following is the Timber industry's Fiscal Year (FY) 2008 Net Return to the State of Alaska. The following information is a broad scale look at the industries impact on the State treasury, this analysis is not intended to be an economic cost/benefit analysis. Revenue from the industry is collected through various taxes and fees. Expenditures by State government in support of the industry come from a variety of sources; some funds are directly passed from one department to another (pass thru), some are related fees, and some are funds from the State general fund (a collection of taxes and fees from all revenue sources).²² The following analysis does not include federal money received on behalf of the industry. While federal funds impact the State's budget, they are restricted funds, meaning fund usage is restricted to the program and detailed spending the funds were appropriated to.

$$\text{Net Return} = [\text{State taxes and fees} - \text{Expenditures in direct support of respective industry}]$$

Funds marked as pass thru, are funds collected by one agency then passed through the accounting system to another agency for spending. These funds are counted as revenue by the department which first collected funds from the industry. General funds are marked as negative figures in the Difference column, as programs receive some funding directly from industry and the difference is made up by the General fund. Programs which receive all general funds funding have a zero in the Revenue column.

In FY 2008, the Timber industry had a Net Return to the State of negative \$1.3 million.²³ The industry contributed \$1.3 million into the State's treasury while government programs expended \$2.6 million in support of the industry.

The Department of Natural Resources collected \$1.3 million from the timber industry, while spending \$2.3 million on programs. Commerce, Community, and Economic Development spent \$134,000 in support of the industry. The Department of Environmental Conservation received \$25,100 from the industry while spending \$169,200 in support. Overall, the timber industry contributed less revenue to the State's treasury than government services spent supporting the industry during FY 2008.

²² In many cases funds are estimated as they are not collected based on industries.

²³ Excludes corporate income tax due to confidentiality.

Fiscal Year 2008
Net Return to the State of Alaska
Timber

	SOURCES (Revenue)	USES (Expenditures)	Difference
Agency - Program	State Funds	State Funds	Revenue - Expenditures
Department of Revenue Corporate Income Tax	Confidential	Confidential	\$-
Department of Natural Resources	\$1,260,500	\$2,310,620	\$(1,050,120)
Forestry	\$1,260,500	\$2,310,620,	\$(1,050,120)
Department of Commerce, Community, & Economic Dev.	Pass thru	\$134,000	\$(134,000)
Office of Economic Development	Pass thru	\$134,000	\$(134,000)
Dept. of Environmental Conservation	\$25,100	\$169,200	\$(144,100)
Water Quality	\$25,100	\$169,200	\$(144,100)
Total by Category	\$1,285,600	\$2,613,820	\$(1,328,220)

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Notes:

- In many cases, funds are estimated, as they are not collected based on industries.
- Corporate income tax for the timber industry is confidential due to the limited number of corporations in the industry. It is unclear what the impact timber industry's corporate income taxes have on the State's treasury.

AGRICULTURE

\$32 million

in Cash
Receipts

2.5%

Increase from
2007

Cash receipts to farmers totaled \$33.2 million in 2007 — most recent reporting year — for an increase of \$831,000, or 2.5 percent, from 2006.²⁴ However, the Alaska agriculture industry continues to be plagued by high feed and fertilizer costs. This mainly has to do with the inability of the State to supply basic ingredients like fertilizer or feed ingredients for livestock and crops.

Over this past reporting year, the livestock sector experienced a nearly 12 percent loss. The cash receipts in the livestock sector fell from \$7,828,000 in 2006 to \$6,925,000 in 2007. This loss was distributed across all livestock sectors, emphasizing the stress that high input costs have on livestock enterprises in Alaska.

The largest sector for Alaska agriculture is greenhouse and nursery crops, which totaled receipts of \$14.6 million, down slightly from \$14.7 million in 2006. Hay was next, at \$4.6 million, followed by, vegetables at \$3.3 million and potatoes at \$2.6 million. The hay sector displaced livestock in 2007, indicating the increasing importance of hay to the pet food market in Alaska.

²⁴ National Agricultural Statistics Service — Alaska Field Office, Alaska Agricultural Statistics, 2008.

ALASKA'S INTERNATIONAL TRADE

\$3.6 billion Value of Exports

11.6% Decrease

44th Alaska Rank in U.S. Export Value

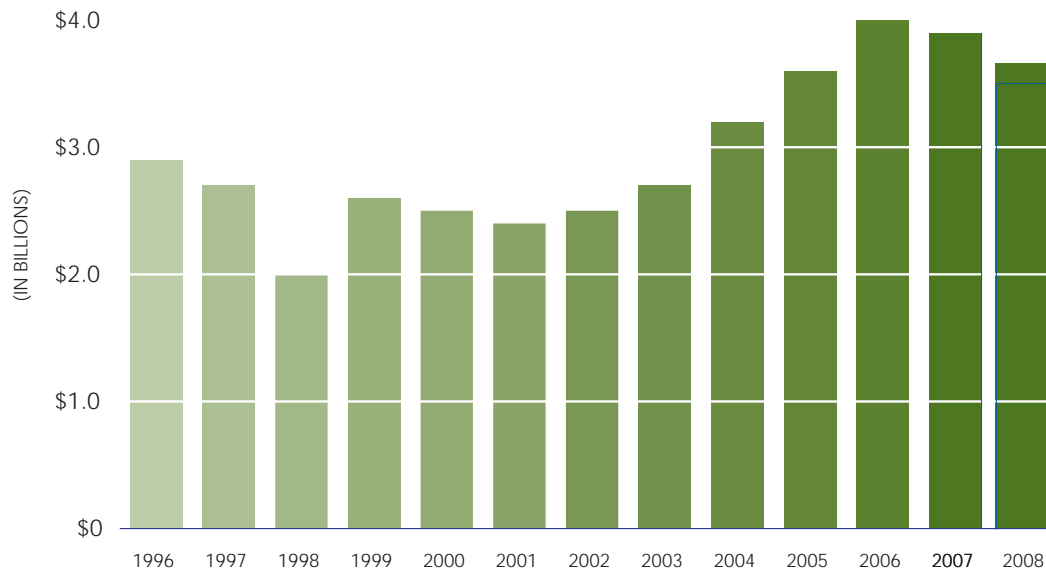
Alaska's 2008 exports reached \$3.6 billion, the fourth best year for the state's exports.²⁵ In 2008, Alaska ranked 44th in the U.S. in export value but was in the top five exporting states on a per capita basis. Alaska's exports were 0.28 percent of the nation's record exports of \$1.287 trillion in 2008. Both exports and foreign direct investment have been important to Alaska for more than six decades.

Overall, 2008 exports are down 11.6 percent from 2007. The drop in world zinc prices significantly affected the total value of Alaska's exports.

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²⁵ Alaska export numbers from the U.S. Census Bureau Origin of Movement Series. Figures do not include Alaska resources first transported to and warehoused in other U.S. states before export.

FIGURE 11 | ALASKA'S TOTAL EXPORTS (1996-2008)



Seafood

In 2008, the value of Alaska's annual seafood exports was the fourth highest ever, at \$1.8 billion, a 9.1 percent decrease from the previous year. Alaska seafood exports to Japan, still the state's largest seafood export market, were \$553 million. Seafood exports to China were exceeded \$400 million for the second year in a row, while seafood exports to Korea were \$226 million. Germany was next, at \$168 million, followed by the Netherlands and Canada, at \$102 million and \$84 million, respectively.

Japan remains extremely important for Alaska's seafood exports. However, over the past decade, Alaska seafood has found its way into more countries than ever. In 1999, Alaska seafood exports to Europe accounted for less than 5 percent of the total seafood exports. In 2008, European markets continued their upward trend in importance to the Alaska seafood industry and accounted for 24.7 percent of the value of Alaska's seafood exports. The increased demand in Europe for Alaska seafood is linked to the value those markets place on healthy eating, food traceability, sustainability of fisheries and the strength of the Euro.

The relatively large increase in seafood export to China is due to increasing domestic demand within that country and the country's role in reprocessing for re-export. Alaska seafood is available in the retail market in more than a dozen cities in China.

Minerals

Beginning in 2006 and carrying into 2007, high market prices more than doubled the value of Alaska's zinc and lead ore exports. In 2008, zinc prices dropped back to the lower level, and Alaska's mineral exports decreased accordingly to \$691 million. Alaska accounts for more than three-fourths of all U.S. zinc production. Canada was Alaska's largest ore market in 2008 followed by Japan, China, Korea, Germany, Belgium, Finland, Spain and Mexico.

Higher gold prices in 2008, resulted in a 9 percent increase in the export value of Alaska's precious metals. Gold exports were valued at \$144 million in 2008.

Energy

The value of Alaska's 2008 energy exports was \$473 million. Refined petroleum product exports grew 1 percent to \$144 million. Coal exports rose to \$23 million -- the highest export value in more than 10 years -- primarily to Chile, Korea, Japan and China. LNG exports in 2008 were \$305 million. A change in federal reporting of LNG exports precludes annual comparison of 2008 to previous years. The State of Alaska announced an agreement on January 3, 2008, between the State and oil industry officials to help ensure energy supplies for communities in Alaska, while supporting the requested two-year extension of the federal export license for the LNG plant on the Kenai Peninsula.

Forest Products

The value of Alaska's 2008 export of forest products was \$83 million, down 3.23 percent, primarily to Japan, Korea and China. The decline in Alaska's forest products exports reflects the fact that resources on most privately held lands are reaching the end of their first rotation. Additionally, changes in management of national forest lands have reduced available inventory. At the same time, competition in world markets for some segments of the forest products industry is strong.

Foreign Investment

For more than 50 years, foreign investment in Alaska has resulted in jobs in the mining, forest products, seafood, visitor, and energy industries. Natural resource development requires a multi-year effort of exploration, permitting, and construction. Businesses in the United Kingdom, Japan and Canada have invested heavily in the state.

A recent example of significant investment is the 12-year, \$378 million development effort from Japan's Sumitomo Metal Mining Corporation in Pogo Gold mine. The mine provides nearly 300 local jobs in interior Alaska.

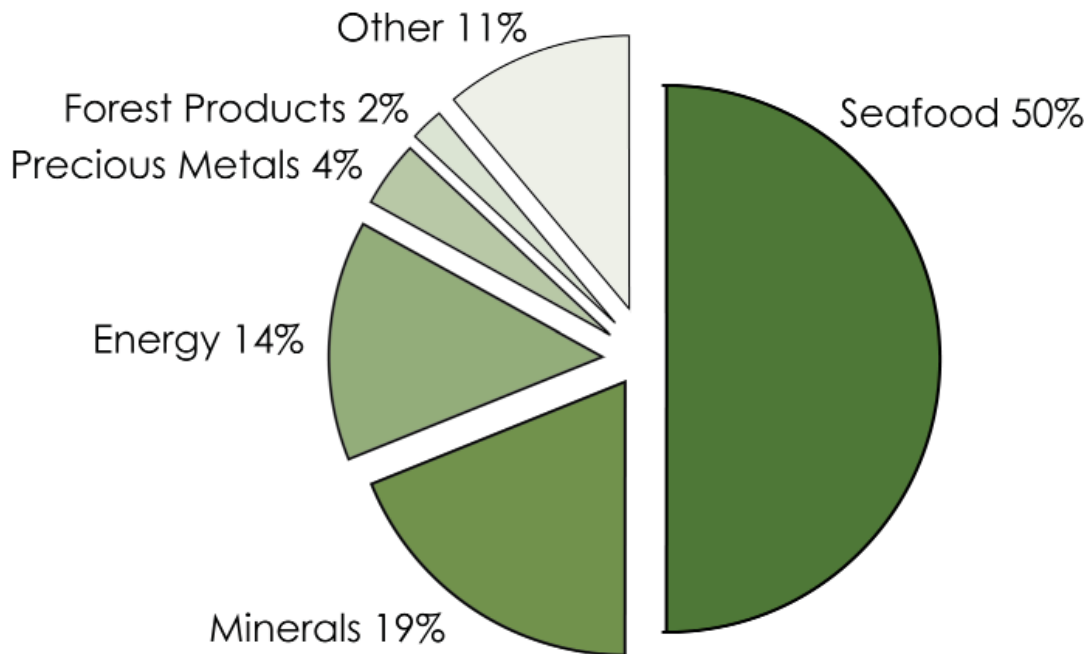
An economic impact study commissioned by the Consulate of Canada in Anchorage showed that nearly three-quarters of all Alaska mining industry exploration and development expenditures in the 25-year period from 1981 to 2006 were from Canadian companies.

International Aviation

More than 20 international air cargo carriers operate at Ted Stevens Anchorage International Airport. The State of Alaska's success in expanding regulatory authority from the federal government for international cargo transfer in Alaska provides valuable opportunities for international air cargo carriers.

International passenger air service contributes to Alaska's visitor industry at the same time it introduces Alaska to thousands of visitors. China Airlines provides scheduled year-round service between Anchorage and Taipei. Condor has operated seasonal passenger charter service to Anchorage and Fairbanks from Frankfurt since the early 1990s. Japan Airlines has initiated winter passenger charter service from Tokyo to Fairbanks, focused on tour packages that highlight northern climate visitor activities, including aurora borealis viewing.

FIGURE 12 | ALASKA'S MAJOR EXPORT PRODUCTS 2008



FEDERAL SPENDING

.....
\$9.4 billion 2008 federal
spending

.....
\$13,370 Per Capita

.....
3rd in U.S. Terms of
Per Capita Spending
.....

Federal spending has a significant impact on Alaska's economy. Federal funds are used for a variety of programs and projects around the state. Federal funds contribute to military and federal government employment as well as specific in-state programs or projects. State dollars are also used to leverage federal funds in matching grant programs helping to improve Alaska communities.

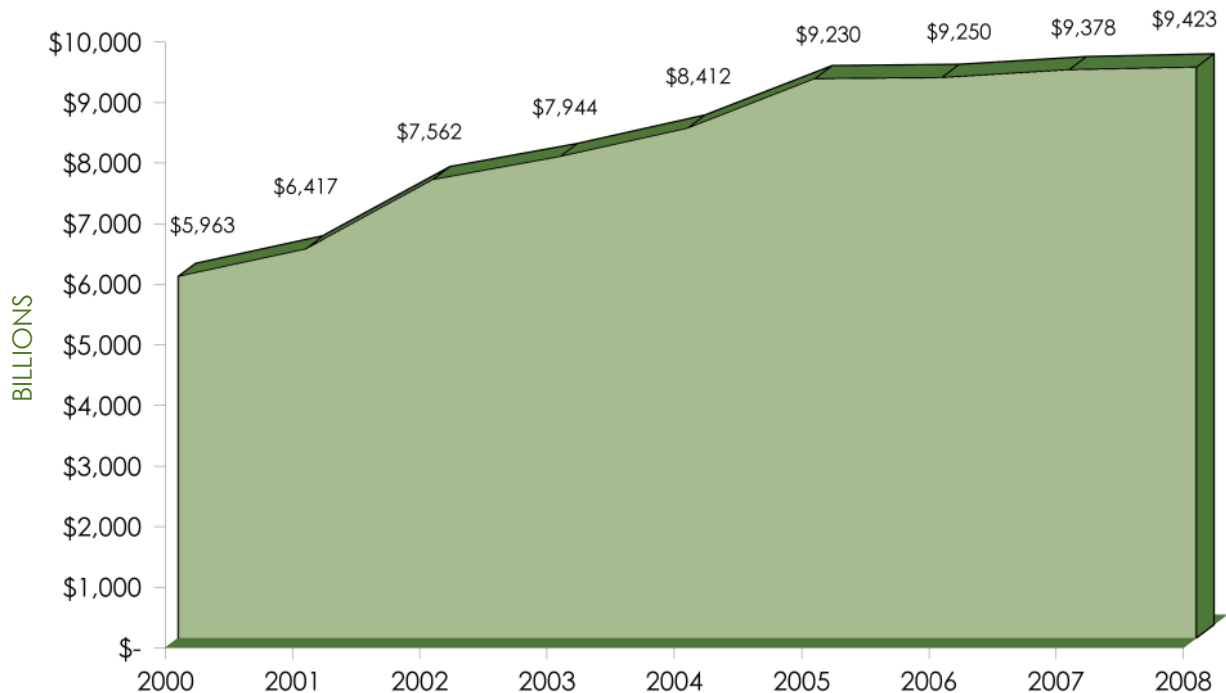
Federal spending in Alaska has been on the rise since 2000. In 2008, federal spending in Alaska totaled \$9.4 billion, up 5 percent from 2007.²⁶

²⁶ U.S. Census Bureau Consolidated Federal Funds Report for Fiscal Year 2008 (<http://www.census.gov/prod/2009pubs/cfrr-08.pdf>).

In 2008, federal spending per capita in Alaska was \$13,730, a 0.4 percent increase from 2007.²⁷ Alaska currently ranks third in total per capita federal spending behind Maryland and Virginia. Alaska ranks first in Salaries and Wages, second in Grants and fourth in Procurement.

²⁷ *ibid.*

FIGURE 13 | FEDERAL SPENDING (2000-2008)





If you have questions or comments, please contact:

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